

UNIFIED SCHOOL DISTRICT NO. 460

HESSTON, KANSAS

Special Financial Statements

June 30, 2010

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Unified School District No. 460  
Hesston, Kansas

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 460, Hesston, Kansas, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2009 financial statements and, in our report dated October 30, 2009, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the District's legally separated component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component units. The District has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component unit, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 460, Hesston, Kansas, as of June 30, 2010, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Primary Government of Unified School District No. 460, Hesston, Kansas, as of June 30, 2010, and its cash receipts and expenditures for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Unified School District No. 460, Hesston, Kansas, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Knudson, Monice & Company, LLC*

Certified Public Accountants  
December 3, 2010

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended June 30, 2010

<u>FUNDS</u>	<u>Unencumbered Cash Balance 6-30-2009</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unencumbered Cash Balance 6-30-2010</u>	<u>Liabilities and Encumbrances</u>	<u>Cash Balance 6-30-2010</u>
<b>General</b>							
General	\$ (445,255)	-	5,303,513	5,331,377	(473,119)	17,493	(455,626)
Supplemental general	(92,557)	-	1,693,956	1,748,564	(147,165)	98,157	(49,008)
<b>Special revenue</b>							
At risk (K-12)	31,116	-	319,756	305,208	45,664	5,053	50,717
Bilingual education	10,413	-	38,745	29,390	19,768	-	19,768
Capital outlay	329,235	-	310,695	152,808	487,122	77,708	564,830
Driver training	11,591	-	15,236	15,586	11,241	-	11,241
Food service	41,033	-	370,600	370,193	41,440	-	41,440
Professional development	27,558	-	-	5,933	21,625	90	21,715
Parent education	650	-	4,500	4,406	744	-	744
Special education	222,008	-	945,300	903,857	263,451	4,500	267,951
Vocational education	20,000	-	197,661	166,730	50,931	-	50,931
KPERS retirement	-	-	313,143	313,143	-	-	-
Contingency reserve	384,000	-	16,000	-	400,000	-	400,000
Textbook and material revolving	10,391	-	25,340	10,964	24,767	2,985	27,752
Recreation	45,517	-	100,628	100,628	45,517	-	45,517
Recreation employee benefit and liability	8,559	-	19,820	19,820	8,559	-	8,559
State and federal grants	14,066	-	93,059	106,074	1,051	796	1,847
School activity funds							
Gate receipts	38,453	-	149,203	143,212	44,444	-	44,444
School projects	15,358	-	25,910	28,311	12,957	-	12,957
<b>Debt service</b>							
Bond and interest	812,206	-	1,017,397	1,014,013	815,590	-	815,590
<b>Fiduciary</b>							
Student organizations	-	-	157,327	157,327	-	27,133	27,133
	\$ 1,484,342	-	11,117,789	10,927,544	1,674,587	233,915	1,908,502

Unified School District No. 460  
 SUMMARY STATEMENT OF EXPENDITURES -  
 ACTUAL AND BUDGET  
 Year ended June 30, 2010

	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>General</b>						
General	\$ 5,476,229	(147,892)	3,040	5,331,377	5,331,377	-
Supplemental general	1,748,564	-	-	1,748,564	1,748,564	-
<b>Special revenue</b>						
At risk (K-12)	319,939	-	-	319,939	305,208	(14,731)
Bilingual education	32,750	-	-	32,750	29,390	(3,360)
Capital outlay	475,000	-	-	475,000	152,808	(322,192)
Driver training	39,100	-	-	39,100	15,586	(23,514)
Food service	427,913	-	-	427,913	370,193	(57,720)
Professional development	48,850	-	-	48,850	5,933	(42,917)
Parent education	4,406	-	-	4,406	4,406	-
Special education	925,283	-	-	925,283	903,857	(21,426)
Vocational education	172,798	-	-	172,798	166,730	(6,068)
KPERS retirement	370,454	-	-	370,454	313,143	(57,311)
Recreation	105,000	-	-	105,000	100,628	(4,372)
Recreation employee benefit and liability	20,750	-	-	20,750	19,820	(930)
<b>Debt service</b>						
Bond and interest	1,014,013	-	-	1,014,013	1,014,013	-
	<u>\$ 11,181,049</u>	<u>(147,892)</u>	<u>3,040</u>	<u>11,036,197</u>	<u>10,481,656</u>	<u>(554,541)</u>
Add expenditures of unbudgeted funds						
Special revenue					288,561	
Fiduciary					<u>157,327</u>	
Total expenditures, Statement 1					<u>\$ 10,927,544</u>	

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b>GENERAL FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 57,759	16,801	12,542	4,259
Current tax	625,121	598,187	590,184	8,003
Delinquent tax	4,079	8,359	11,698	(3,339)
Mineral production tax	15	5	-	5
Other taxes	11,482	2,081	-	2,081
Other	2,670	3,040	-	3,040
ARRA stabilization aid	-	255,111	255,111	-
General state aid	4,374,950	3,840,875	4,064,661	(223,786)
Special education state aid	642,823	579,054	542,033	37,021
	<u>5,718,899</u>	<u>5,303,513</u>	<u>5,476,229</u>	<u>(172,716)</u>
Expenditures				
Instruction	3,125,720	2,952,292	3,118,175	(165,883)
Student support services	56,821	56,656	65,705	(9,049)
Instructional support services	258,083	176,990	217,525	(40,535)
General administration	315,053	271,590	302,600	(31,010)
School administration	446,282	430,502	450,998	(20,496)
Operations and maintenance	501,609	370,227	385,233	(15,006)
Student transportation	190,732	160,843	205,220	(44,377)
Other services	7,985	-	5,900	(5,900)
Operating transfers	876,705	912,277	724,873	187,404
Adjustment to comply with legal max	-	-	(147,892)	147,892
Legal general fund budget	5,778,990	5,331,377	5,328,337	3,040
Budget adjustments:				
Qualifying budget credits	-	-	3,040	(3,040)
Total expenditures	<u>5,778,990</u>	<u>5,331,377</u>	<u>5,331,377</u>	<u>-</u>
Receipts over (under) expenditures	(60,091)	(27,864)		
Unencumbered cash, beginning	<u>(385,164)</u>	<u>(445,255)</u>		
Unencumbered cash, ending	\$ (445,255)	(473,119)		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b>SUPPLEMENTAL GENERAL FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 54,631	16,786	12,399	4,387
Current tax	610,483	675,365	640,575	34,790
Delinquent tax	4,283	8,233	11,417	(3,184)
Vehicle tax	87,883	88,466	91,102	(2,636)
Other taxes	5,482	2,154	-	2,154
ARRA stabilization aid	-	235,662	-	235,662
State aid	687,670	667,290	927,229	(259,939)
	<u>1,450,432</u>	<u>1,693,956</u>	<u>1,682,722</u>	<u>11,234</u>
Expenditures				
Instruction	110,731	115,057	119,075	(4,018)
Student support services	1,968	1,550	2,500	(950)
Instructional support services	273,247	328,163	341,426	(13,263)
General administration	34,399	26,505	32,000	(5,495)
School administration	-	-	38,000	(38,000)
Operations and maintenance	320,525	407,909	451,900	(43,991)
Other support services	40,459	44,918	29,000	15,918
Operating transfers	728,671	824,462	734,663	89,799
	<u>1,510,000</u>	<u>1,748,564</u>	<u>1,748,564</u>	<u>-</u>
Receipts over (under) expenditures	(59,568)	(54,608)		
Unencumbered cash, beginning	<u>(32,989)</u>	<u>(92,557)</u>		
Unencumbered cash, ending	\$ (92,557)	(147,165)		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009	Actual	Budget	Over
	Actual			(Under)
<b>AT RISK FUND (K-12)</b>				
Receipts				
Transfers from other funds	\$ 250,000	319,756	319,756	-
Expenditures				
Instruction				
Salaries and benefits	75,787	150,305	164,516	(14,211)
Supplies and other	1,428	8,395	8,395	-
Student support services				
Salaries and benefits	153,605	146,508	147,028	(520)
	230,820	305,208	319,939	(14,731)
Receipts over (under) expenditures	19,180	14,548		
Unencumbered cash, beginning	11,936	31,116		
Unencumbered cash, ending	\$ 31,116	45,664		
<b>BILINGUAL EDUCATION FUND</b>				
Receipts				
Interest on idle funds	\$ -	-	5,000	(5,000)
Transfers from other funds	30,000	38,745	30,000	8,745
	30,000	38,745	35,000	3,745
Expenditures				
Salaries and benefits	19,100	29,025	32,250	(3,225)
Purchased services and supplies	979	365	500	(135)
	20,079	29,390	32,750	(3,360)
Receipts over (under) expenditures	9,921	9,355		
Unencumbered cash, beginning	492	10,413		
Unencumbered cash, ending	\$ 10,413	19,768		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b>CAPITAL OUTLAY FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 12,427	3,732	2,255	1,477
Current tax	135,828	45,828	45,014	814
Delinquent tax	735	1,888	2,531	(643)
Vehicle tax	21,721	19,986	20,066	(80)
Other taxes	2,300	145	-	145
Interest on idle funds	32,082	23,385	10,215	13,170
Insurance and other	5,000	8,954	-	8,954
State aid	53,522	-	-	-
Transfers from other funds	38	206,777	94,276	112,501
	<u>263,653</u>	<u>310,695</u>	<u>174,357</u>	<u>136,338</u>
Expenditures				
Equipment and furniture	187,939	90,706	340,500	(249,794)
Construction and remodeling	72,085	62,102	134,500	(72,398)
	<u>260,024</u>	<u>152,808</u>	<u>475,000</u>	<u>(322,192)</u>
Receipts over (under) expenditures	3,629	157,887		
Unencumbered cash, beginning	325,606	329,235		
Unencumbered cash, ending	<u>\$ 329,235</u>	<u>487,122</u>		
<b>DRIVER TRAINING FUND</b>				
Receipts				
State safety aid	\$ 3,040	3,600	4,250	(650)
Interest on idle funds	-	-	5,000	(5,000)
Other	14,624	11,636	16,000	(4,364)
Transfers from other funds	10,312	-	10,000	(10,000)
	<u>27,976</u>	<u>15,236</u>	<u>35,250</u>	<u>(20,014)</u>
Expenditures				
Salaries and benefits	19,102	13,705	24,350	(10,645)
Other	3,760	1,881	14,750	(12,869)
	<u>22,862</u>	<u>15,586</u>	<u>39,100</u>	<u>(23,514)</u>
Receipts over (under) expenditures	5,114	(350)		
Unencumbered cash, beginning	6,477	11,591		
Unencumbered cash, ending	<u>\$ 11,591</u>	<u>11,241</u>		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009	Actual	Budget	Over
	Actual			(Under)
<b>FOOD SERVICE FUND</b>				
Receipts				
Lunch and breakfast sales	\$ 223,081	194,050	223,792	(29,742)
Interest on idle funds	-	-	25,000	(25,000)
Federal aid	141,158	161,062	139,455	21,607
State aid	5,424	5,053	5,464	(411)
Federal nutrition grant	-	2,435	-	2,435
Transfers from other funds	-	8,000	-	8,000
	<u>369,663</u>	<u>370,600</u>	<u>393,711</u>	<u>(23,111)</u>
Expenditures				
Salaries and benefits	147,027	145,653	162,413	(16,760)
Food and supplies	232,175	221,138	252,000	(30,862)
Equipment	105	973	1,000	(27)
Other	-	2,429	12,500	(10,071)
	<u>379,307</u>	<u>370,193</u>	<u>427,913</u>	<u>(57,720)</u>
Receipts over (under) expenditures	(9,644)	407		
Unencumbered cash, beginning	<u>50,677</u>	<u>41,033</u>		
Unencumbered cash, ending	<u>\$ 41,033</u>	<u>41,440</u>		
<b>PROFESSIONAL DEVELOPMENT FUND</b>				
Receipts				
State aid	\$ 3,509	-	-	-
Interest on idle funds	-	-	5,000	(5,000)
Transfers from other funds	<u>35,000</u>	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>
	<u>38,509</u>	<u>-</u>	<u>35,000</u>	<u>(35,000)</u>
Expenditures				
Salaries and benefits	9,144	1,558	22,550	(20,992)
Purchased services and supplies	<u>21,662</u>	<u>4,375</u>	<u>26,300</u>	<u>(21,925)</u>
	<u>30,806</u>	<u>5,933</u>	<u>48,850</u>	<u>(42,917)</u>
Receipts over (under) expenditures	7,703	(5,933)		
Unencumbered cash, beginning	<u>19,855</u>	<u>27,558</u>		
Unencumbered cash, ending	<u>\$ 27,558</u>	<u>21,625</u>		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b>PARENT EDUCATION FUND</b>				
Receipts				
Transfers from other funds	\$ 4,500	4,500	<u>4,500</u>	<u>-</u>
Expenditures				
Purchased services	<u>4,406</u>	<u>4,406</u>	<u>4,406</u>	<u>-</u>
	<u>4,406</u>	<u>4,406</u>		
Receipts over (under) expenditures	94	94		
Unencumbered cash, beginning	<u>556</u>	<u>650</u>		
Unencumbered cash, ending	<u>\$ 650</u>	<u>744</u>		
<b>SPECIAL EDUCATION FUND</b>				
Receipts				
Interest on idle funds	\$ -	-	15,000	(15,000)
Transfers from other funds	<u>942,526</u>	<u>945,300</u>	<u>895,597</u>	<u>49,703</u>
	<u>942,526</u>	<u>945,300</u>	<u>910,597</u>	<u>34,703</u>
Expenditures				
Salaries and benefits	64,307	64,417	68,413	(3,996)
Other	10,945	13,858	50,700	(36,842)
Payments to Coop	<u>846,176</u>	<u>825,582</u>	<u>806,170</u>	<u>19,412</u>
	<u>921,428</u>	<u>903,857</u>	<u>925,283</u>	<u>(21,426)</u>
Receipts over (under) expenditures	21,098	41,443		
Unencumbered cash, beginning	<u>200,910</u>	<u>222,008</u>		
Unencumbered cash, ending	<u>\$ 222,008</u>	<u>263,451</u>		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b>VOCATIONAL EDUCATION FUND</b>				
Receipts				
Interest on idle funds	\$ -	-	5,000	(5,000)
Transfers from other funds	149,000	197,661	159,661	38,000
	<u>149,000</u>	<u>197,661</u>	<u>164,661</u>	<u>33,000</u>
Expenditures				
Salaries and benefits	116,140	130,048	136,206	(6,158)
Tuition	11,258	36,242	34,092	2,150
Supplies	1,602	440	2,500	(2,060)
	<u>129,000</u>	<u>166,730</u>	<u>172,798</u>	<u>(6,068)</u>
Receipts over (under) expenditures	20,000	30,931		
Unencumbered cash, beginning	-	20,000		
Unencumbered cash, ending	<u>\$ 20,000</u>	<u>50,931</u>		
<b>KPERS RETIREMENT FUND</b>				
Receipts				
State aid	\$ 322,134	313,143	370,454	(57,311)
Expenditures				
Instruction	202,945	197,280	233,386	(36,106)
Student support services	12,885	12,526	14,818	(2,292)
Instructional support services	19,328	18,789	22,227	(3,438)
General administration	12,885	12,526	14,818	(2,292)
School administration	25,771	25,051	29,636	(4,585)
Other supplemental services	9,664	9,394	11,114	(1,720)
Operations and maintenance	22,549	21,920	25,932	(4,012)
Student transportation services	6,443	6,263	7,409	(1,146)
Food service operations	9,664	9,394	11,114	(1,720)
	<u>322,134</u>	<u>313,143</u>	<u>370,454</u>	<u>(57,311)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		<u>2010</u>		Variance
	<u>2009</u>	<u>Actual</u>	<u>Budget</u>	Over
	<u>Actual</u>			(Under)
<b>CONTINGENCY RESERVE FUND</b>				
Receipts				
Transfers from other funds	\$ 184,000	16,000		
Expenditures	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	184,000	16,000		
Unencumbered cash, beginning	200,000	384,000		
Unencumbered cash, ending	<u>\$ 384,000</u>	<u>400,000</u>		
<b>TEXTBOOK AND MATERIAL REVOLVING FUND</b>				
Receipts				
Fees	\$ 27,880	25,340		
Expenditures				
Textbooks and other	24,546	10,964	NOT APPLICABLE	
Receipts over (under) expenditures	3,334	14,376		
Unencumbered cash, beginning	7,057	10,391		
Unencumbered cash, ending	<u>\$ 10,391</u>	<u>24,767</u>		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b>RECREATION FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 8,188	2,007	1,483	524
Current tax	73,268	84,762	83,219	1,543
Delinquent tax	634	1,160	1,370	(210)
Vehicle tax	14,639	12,429	12,738	(309)
Other taxes	<u>1,887</u>	<u>270</u>	<u>-</u>	<u>270</u>
	98,616	100,628	<u>98,810</u>	<u>1,818</u>
Expenditures				
Appropriation to recreation commission	<u>98,616</u>	<u>100,628</u>	<u>105,000</u>	<u>(4,372)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	<u>45,517</u>	<u>45,517</u>		
Unencumbered cash, ending	<u>\$ 45,517</u>	<u>45,517</u>		
<b>RECREATION EMPLOYEE BENEFIT AND LIABILITY FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 1,453	516	381	135
Current tax	18,827	16,535	16,244	291
Delinquent tax	110	245	352	(107)
Vehicle tax	2,700	2,471	2,561	(90)
Other taxes	<u>142</u>	<u>53</u>	<u>-</u>	<u>53</u>
	23,232	19,820	<u>19,538</u>	<u>282</u>
Expenditures				
Appropriation to recreation commission	<u>19,300</u>	<u>19,820</u>	<u>20,750</u>	<u>(930)</u>
Receipts over (under) expenditures	3,932	-		
Unencumbered cash, beginning	<u>4,627</u>	<u>8,559</u>		
Unencumbered cash, ending	<u>\$ 8,559</u>	<u>8,559</u>		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

2010

	Title II A		Title II D		ARRA	Title II D		ARRA	Title IV		School		2009	
	Title I	ARRA Title I	Title II A Teacher Quality	Title II D Education Technology	Title II D	ARRA Title IID	Title IV Drug-Free	School Prepare	Total	Total	Total	Total	Total	Total
Receipts														
Federal and state grants	\$ 61,133	1,377	26,170	506	506	1,243	1,880	750	93,059				85,994	
Expenditures														
Salaries and benefits	73,668	1,377	23,553	-	-	-	-	-	98,598				63,111	
Purchased services	175	-	2,617	506	506	-	-	750	4,048				7,267	
Equipment and supplies	-	-	-	-	-	1,243	2,185	-	3,428				1,550	
	73,843	1,377	26,170	506	506	1,243	2,185	750	106,074				71,928	
Receipts over (under) expenditures	(12,710)	-	-	-	-	-	(305)	-	(13,015)				14,066	
Unencumbered cash, beginning	13,761	-	-	-	-	-	305	-	14,066				-	
Unencumbered cash, ending	\$ 1,051	-	-	-	-	-	-	-	1,051				14,066	

Legally adopted budget not applicable

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET

Year ended June 30, 2010

(With comparable actual totals for the prior year ended June 30, 2009)

		2010		Variance
	2009			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b>BOND AND INTEREST FUND</b>				
Receipts				
Taxes				
Tax in process	\$ 50,471	14,540	10,748	3,792
Current tax	529,687	507,642	498,358	9,284
Delinquent tax	4,249	7,819	9,906	(2,087)
Vehicle tax	92,229	80,171	82,450	(2,279)
Other taxes	11,959	1,620	-	1,620
State aid	369,449	405,605	405,605	-
	<u>1,058,044</u>	<u>1,017,397</u>	<u>1,007,067</u>	<u>10,330</u>
Expenditures				
Principal	485,000	525,000	525,000	-
Interest	513,513	489,013	489,013	-
	<u>998,513</u>	<u>1,014,013</u>	<u>1,014,013</u>	<u>-</u>
Receipts over (under) expenditures	59,531	3,384		
Unencumbered cash, beginning	<u>752,675</u>	<u>812,206</u>		
Unencumbered cash, ending	<u>\$ 812,206</u>	<u>815,590</u>		

See notes to financial statements

## Unified School District No. 460

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
School Activity Funds

Year ended June 30, 2010

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
<b>GATE RECEIPTS</b>				
High School				
Athletics	\$ 23,099	103,118	95,911	30,306
Concessions	(1,317)	17,363	16,050	(4)
Musicals	4,549	4,912	3,278	6,183
Middle School				
Athletics	12,122	23,810	27,973	7,959
Totals to Statement 1	<u>\$ 38,453</u>	<u>149,203</u>	<u>143,212</u>	<u>44,444</u>
<b>SCHOOL PROJECTS</b>				
High School	\$ 7,964	13,859	17,668	4,155
Middle School	2,139	3,720	3,067	2,792
Grade School	5,255	8,331	7,576	6,010
Totals to Statement 1	<u>\$ 15,358</u>	<u>25,910</u>	<u>28,311</u>	<u>12,957</u>
<b>STUDENT ORGANIZATIONS</b>				
High School				
Class funds	\$ 403	10,221	10,122	502
Pit Stop	6,593	39,813	43,484	2,922
Other	12,571	97,668	99,079	11,160
Middle School				
Class funds	10,371	9,625	8,715	11,281
Grade School				
Class funds	1,404	-	136	1,268
Total cash basis activity	31,342	157,327	161,536	27,133
Adjustments for encumbrances and payables	(31,342)	-	(4,209)	(27,133)
Totals to Statement 1	<u>\$ -</u>	<u>157,327</u>	<u>157,327</u>	<u>-</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 460 is a Kansas municipality governed by an elected seven-member school board. These financial statements present only the primary government of the District.

In addition to the primary government, the Hesston Recreation Commission, which operates recreational programs within the District, qualifies as a component unit of the District. However, its financial activity is not included in the accompanying financial statements.

Fund Description

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2010:

Governmental Funds

General Funds - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Fiduciary Funds

To account for assets held in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds.

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutory Basis of Accounting (Continued)

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Activity Funds

Under provisions of K.S.A. 72-8208a, the Board of Education adopted a resolution relating to the school activity fund which results in the activity funds being accounted for under policies and procedures of the Board. In these financial statements, all school activity funds of the District are classified as fiduciary funds.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
3. Adoption of the final budget on or before August 25th.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

2. BUDGETARY INFORMATION (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district, and if this "legal max" budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. If this "legal max" budget is greater than the adopted budget, the District must amend the budget (see prior paragraph) to the "legal max" amount to have the additional budget authority. The District's general fund budget for the year ended June 30, 2010, was amended and then reduced to the "legal max" of \$5,328,337. In addition, the budgets for the at-risk (K-12) fund and the vocational education fund were amended for the year ended June 30, 2010.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, and the following special revenue funds:

- Contingency reserve
- Textbook and material revolving
- State and federal grants
- Activity gate receipts and school projects

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or the use of internal spending limits established by the governing body.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no investment policy that would further limit interest rate risk.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

## 3. DEPOSITS AND INVESTMENTS (Continued)

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

As of June 30, 2010, the District's investments included only bank time deposits with a fair value of \$1,872,770 which are not subject to investment ratings.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has not designated peak periods. All deposits were legally secured at June 30, 2010.

At June 30, 2010, the carrying amount of the District's deposits was \$1,908,502. The bank balance totaled \$2,277,781. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$285,966 was covered by FDIC insurance with the remaining \$1,991,815 collateralized with securities held by the pledging financial institution's agents in the District's name.

Composition of Cash Balance

The cash balance of the District at June 30, 2010, consisted of the following accounts with a financial institution:

Board Funds	
NOW account	\$ (304,148)
Money market account	2,124,516
Savings account	100
Petty cash checking	3,500
Total board funds	1,823,968
Activity funds	
NOW account	52,302
Demand deposits	32,232
Total activity funds	84,534
	<u>\$ 1,908,502</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

4. GENERAL LONG-TERM DEBT

Changes in long-term debt for the District for the year ended June 30, 2010, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 6-30-09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-10</u>	<u>Interest Paid</u>
<b>General Obligation Bonds</b>									
School Improvement									
Series 2002	4.00 - 5.00%	6/1/2002	\$ 13,700,000	09/01/2015	\$ 4,380,000	-	475,000	3,905,000	181,785
Series 2006, Refunding	3.50 - 4.00%	2/14/2006	8,085,000	09/01/2022	7,960,000	-	50,000	7,910,000	307,228
					<u>\$ 12,340,000</u>	<u>-</u>	<u>525,000</u>	<u>11,815,000</u>	<u>489,013</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>Year Ending June 30</u>							<u>Total</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2023</u>	
<b>General Obligation Bonds</b>								
Principal	\$ 575,000	625,000	680,000	735,000	790,000	4,755,000	3,655,000	11,815,000
Interest	462,300	434,550	407,313	378,945	347,405	1,206,276	225,500	3,462,289
Total	<u>\$ 1,037,300</u>	<u>1,059,550</u>	<u>1,087,313</u>	<u>1,113,945</u>	<u>1,137,405</u>	<u>5,961,276</u>	<u>3,880,500</u>	<u>15,277,289</u>

5. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et. seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4% of covered salary. Member-employees contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The contribution rate for the state for the period from July 1, 2009, through June 30, 2010, was 8.57% of covered payroll.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2010, 2009 and 2008 were \$248,468,186, \$242,277,363 and \$220,815,154 respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

6. COMPENSATED ABSENCES

Vacation

Full-time classified employees earn five days of paid vacation upon completion of one year of employment. From two through nine years of service, ten days of paid vacation is earned. After ten years of service, classified employees earn fifteen days of paid vacation per year. Vacation days cannot be accumulated. Certified employees earn no vacation. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Sick Leave

Classified and certified employees earn 15 days of paid sick leave each year which can be accumulated to a maximum of 45 days. Unused sick leave of up to 30 days is paid to terminating employees at the rate of \$10 per day. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

7. INTERFUND TRANSACTIONS

Operating transfers during the year ended June 30, 2010, were as follows:

<u>Transfers to</u>		<u>Transfers from</u>	
	<u>Total</u>	<u>General</u>	<u>Supplemental General</u>
At Risk (K-12)	\$ 319,756	-	319,756
Bilingual Education	38,745	10,000	28,745
Capital Outlay	206,777	206,777	-
Food Service	8,000	-	8,000
Parent Education	4,500	4,500	-
Special Education	945,300	635,000	310,300
Vocational Education	197,661	40,000	157,661
Contingency Reserve	16,000	16,000	-
	<u>\$ 1,736,739</u>	<u>912,277</u>	<u>824,462</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

8. COMPLIANCE WITH KANSAS STATUTES

Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

STATUTORY REVENUES AND EXPENDITURES -  
STATUTORY AND BUDGET  
Year ended June 30, 2010

	Statutory Transactions	Budget	Variance Favorable (Unfavorable)
<b>GENERAL</b>			
Statutory revenues			
Taxes			
Tax in process	\$ 16,801	12,542	4,259
Current tax	598,187	590,184	8,003
Delinquent tax	8,359	11,698	(3,339)
Mineral production tax and other	2,086	-	2,086
Other	3,040	-	3,040
ARRA stabilization aid	255,111	255,111	-
General state aid	3,868,740	4,064,661	(195,921)
Special education state aid	579,054	542,033	37,021
Total statutory revenue	<u>5,331,378</u>	<u>5,476,229</u>	<u>(144,851)</u>
Expenditures			
Instruction	2,952,292	3,118,175	165,883
Student support services	56,656	65,705	9,049
Instructional support services	176,990	217,525	40,535
General administration	271,590	302,600	31,010
School administration	430,502	450,998	20,496
Operations and maintenance	370,227	385,233	15,006
Student transportation services	160,843	205,220	44,377
Other services	-	5,900	5,900
Operating transfers	912,277	724,873	(187,404)
Adjustment to comply with legal max	-	(147,892)	(147,892)
Legal general fund budget	<u>5,331,377</u>	<u>5,328,337</u>	<u>(3,040)</u>
Adjustment for qualifying budget credits	-	3,040	3,040
Total expenditures	<u>5,331,377</u>	<u>5,331,377</u>	<u>-</u>
Revenue over (under) expenditures	1		
Modified unencumbered cash, beginning	<u>1</u>		
Modified unencumbered cash, ending	<u>\$ 2</u>		

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (continued)

STATUTORY REVENUES AND EXPENDITURES -  
 STATUTORY AND BUDGET  
 Year ended June 30, 2010

SUPPLEMENTAL GENERAL	Statutory Transactions	Budget	Variance Favorable (Unfavorable)
Statutory revenues			
Taxes			
Tax in process	\$ 16,786	12,399	4,387
Current tax	675,365	640,575	34,790
Delinquent tax	8,233	11,417	(3,184)
Vehicle tax	88,466	91,102	(2,636)
Other taxes	2,154	-	2,154
ARRA stabilization aid	235,662	-	235,662
Supplemental state aid	693,613	927,229	(233,616)
	<u>1,720,279</u>	<u>1,682,722</u>	<u>37,557</u>
Expenditures			
Instruction	115,057	119,075	4,018
Student support services	1,550	2,500	950
Instructional support services	328,163	341,426	13,263
General administration	26,505	32,000	5,495
School administration	-	38,000	38,000
Operations and maintenance	407,909	451,900	43,991
Other support services	44,918	29,000	(15,918)
Operating transfers	824,462	734,663	(89,799)
	<u>1,748,564</u>	<u>1,748,564</u>	<u>-</u>
Revenue over (under) expenditures	(28,285)		
Modified unencumbered cash, beginning	<u>65,842</u>		
Modified unencumbered cash, ending	<u>\$ 37,557</u>		

RECONCILIATION - STATE AID	General	Supplemental General
General state aid - cash received	\$ 3,840,875	667,290
Less received July 2009 for year ended June 30, 2009	(445,256)	(158,399)
Add received July 2010 for year ended June 30, 2010	<u>473,121</u>	<u>184,722</u>
Statutory revenue - above	<u>\$ 3,868,740</u>	<u>693,613</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other school districts in the State to participate in Kansas Association of School Boards (KASB) Risk Management Services, a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The District pays an annual premium to KASB Risk Management Services for its workers compensation insurance coverage. The agreement to participate provides that KASB Risk Management Services will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for each insured event.

The District continues to carry commercial insurance for all other risks of loss, including liability, property, inland marine, linebacker, and fleet coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statements of events occurring through December 3, 2010, which is the date the financial statements were available to be issued.

## SINGLE AUDIT SECTION

# Knudsen Monroe & Company LLC

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Unified School District No. 460  
150 N. Ridge Road  
Hesston, Kansas 67062

We have audited the financial statements of Unified School District No. 460, Hesston, Kansas, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The auditor's report on the financial statements disclosed that, as described in Note 1, Unified School District No. 460 prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Knudsen, Monice & Company, LLC*

Certified Public Accountants

December 3, 2010

# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Unified School District No. 460  
150 N. Ridge Road  
Hesston, KS 67062

### Compliance

We have audited the compliance of Unified School District No. 460, Hesston, Kansas (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditor's report on the financial statements disclosed that, as described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Knudsen, Monroe & Company, LLC*

Certified Public Accountants  
December 3, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

<u>Federal Granting Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Grantor's Identifying Number</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>				
Passed through State Board of Education:				
School Breakfast Program	10.553		\$ 18,419	\$ 18,419
National School Lunch Program	10.555		142,643	142,643
Team Nutrition Training Grant (FY08)	10.574		1,359	1,359
Total Department of Agriculture			<u>162,421</u>	<u>162,421</u>
<b><u>U.S. Department of Education</u></b>				
Passed through State Board of Education:				
ARRA - State Fiscal Stabilization	84.394	S394A090017	490,773	490,773
ARRA - Title I Grants to Local Educational Agencies	84.389A	S389A090016A	1,377	1,377
ARRA - Title II - Tech Lit	84.386		1,243	1,243
Title I, Low Income	84.010		61,133	60,082
Safe and Drug-Free Schools and Communities	84.186		1,880	2,185
School Preparedness	84.302		750	750
Data Use Grant	84.372		800	800
Title IIA, Improving Teacher Quality	84.367		26,170	26,170
Title IID, Education Technology	84.318		506	506
Total Department of Education			<u>584,632</u>	<u>583,886</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 747,053</u>	<u>\$ 746,307</u>

Note 1--Basis of Presentation

The accompanying schedule of expenditures of federal awards of Unified School District No. 460, Hesston Kansas is presented on the statutory basis of accounting as described in note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report on the financial statements disclosed that, as described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. An unqualified opinion was expressed on the financial statements under this comprehensive basis of accounting.
2. No reportable conditions relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances on noncompliance material to the financial statements of the District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the District expressed an unqualified opinion.
6. Audit findings relative to the major federal award program for the District are reported in Part C of the schedule.
7. The program tested as a major program included:

Department of Education – State Fiscal Stabilization Fund (84.394)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The District was determined to be a high-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Unified School District No. 460

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

None